

# SA fights to keep phone networks up as lights go out

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On a recent Friday morning north of Johannesburg, the head of South Africa's largest telecoms company surveyed the arsenal of backup systems keeping just one of his 15,000 network towers online amid the worst power cuts on record.



A shopper walks past a Vodacom shop in Johannesburg on 4 February 2015. *Reuters/Siphwe Sibeko*

A diesel generator. Solar panels. A bank of expensive backup batteries, theft-proofed within a block of concrete.

"Our costs have gone through the roof," lamented Sitho Mdlalose, managing director of Vodacom South Africa.

As the national power grid crumbles, leaving Africa's most advanced economy in the dark for up to 10 hours a day, mobile operators including Vodacom, MTN and the majority state-owned Telkom are scrambling to ensure their networks stay up and running.

They're spending millions to install solar panels, batteries and are even trialling wind turbines while targeting deals with independent power producers to supplement struggling state utility Eskom's increasingly unreliable output, three company

executives told *Reuters*.

At stake: essential voice and data services in a nation where landlines are rare but nearly 80% of residents have access to mobile internet.

Overall, the power crisis and logistical constraints are expected to erase two percentage points from economic growth this year, according to the South African Reserve Bank governor.

Mary-Jane Mphahlele, an attorney who also runs a small travel agency in the city of Polokwane, experiences that lost economic activity every time the power is cut.

"New clients can't call me ... That means no money is going to come into my business," the 29-year-old said. "It's hell."

As they battle to simply mitigate the worsening crisis, telecommunications companies have seen operating costs balloon. Vodacom and MTN executives told *Reuters* they're having to divert capital away from much-needed network upgrades and 5G rollouts.

Meanwhile, they said government regulations are blocking potential solutions, such as sharing backup power infrastructure with their competitors, and revealed they're lobbying authorities to help ease the pain.

"Government and business must jointly seize this moment," MTN Group chief executive Ralph Mupita told investors last month. "If we do not act as a country, for sure we risk becoming a failed nation-state."

## Mounting costs

South Africa's power crunch - the product of years of corruption, a failure to add generating capacity, chronic breakdowns, and under-exploited renewables capacity - has hobbled the economy and sparked public anger.

President Cyril Ramaphosa in February declared a national state of disaster, calling the crisis an existential threat to South Africa's social fabric.

Power outages have cost South Africa's number two operator MTN some R640m (\$36m) in service revenue in the past year, forcing it to downgrade its medium-term margin target.

Telkom has incurred over R150m in additional costs in its third quarter ended December 2022 alone.

Vodacom - majority owned by London-listed Vodafone - is spending well over R300m a year on incremental costs, including fuel, battery replacements, repairs and security, Mdlalose told *Reuters*.

While most network towers in South Africa are equipped with a battery for backup power, more advanced systems are less common. MTN, for example, has 12,900 towers in South Africa but only around 3,000 diesel generators and solar panels at a few pilot sites.

Companies concentrate those extra resources on high-revenue sites, mainly in larger metro areas, officials said. But even city residents struggle when hours-long outages outlast backup measures.

"You just have to wait for the electricity to come back or move around town to get network," said lawyer and businesswoman Mphahlele, who lives in a provincial capital of around a half million residents.

MTN is deploying capital expenditure of about R9bn in South Africa, with most going towards rolling out longer-lasting batteries and diesel generators, CEO Mupita told reporters last month. Telkom is deploying energy solutions to over 200 key sites.

Vodacom is also expanding battery use and installing solar panels at sites where space allows, Mdlalose said.

But it's a zero sum game forcing other important projects onto the back burner.

"We'll probably slow down on advanced Capex-related portfolios like accelerating 5G," MTN Group chief financial officer Tsholofelo Molefe told *Reuters*.

Vodacom expects to slow its rural network drive and redirect those funds to backup power rollouts.

That risks delaying South Africa's pivot to the digital economy and could leave rural areas, which already suffer from sparse coverage, lagging even further behind.

## National crisis

The challenges aren't simply financial. As telecoms ramp up their efforts, criminal gangs are doing the same, targeting newly installed generators, batteries and stealing fuel.

At a tower site shared by Vodacom and MTN in Soweto, a large township south of Johannesburg, thieves recently bashed through concrete to make off with cables, radio transmitter processors and an air conditioner.

Mdlalose said Vodacom sees between 600 and 700 such attacks every month and is losing around 5,500 batteries annually to theft.

MTN did not share data on its overall losses to criminal activity but said it's witnessed a sharp rise in incidents, including cable and battery theft. It will begin placing some battery systems inside concrete bunkers.

With the costs mounting, mobile operators are turning to the government for help.

MTN is seeking a temporary relaxation of visa regulations to bring in foreign technicians including from Nigeria, where towers are heavily reliant upon diesel generators, Mupita told MTN's investors.

It's also seeking clarity on whether the state of disaster permits mobile operators to allow each other to freely roam across networks to avoid dropped calls, MTN's CFO Molefe told *Reuters*.

That could bypass lengthy approval processes and avoid limitations on locations where roaming is permitted and which spectrum bands companies can roam on.

Telcos also want the same fuel rebates enjoyed by the agriculture and mining sectors, according to Nomvuyiso Batyi, CEO of the Association of Comms and Technology.

And they're seeking to save on costs by jointly purchasing and operating backup power equipment, she and Vodacom's Mdlalose added.

The regulatory body that oversees the sector said it was considering measures "to ameliorate the impact of load-shedding on service provision, economic activity, and social well-being."

And the government's Competition Commission told *Reuters* the Minister of Trade, Industry and Competition was considering public input as his department drafts exemptions for power users under the state of the disaster.

The final regulations, which Vodacom's Mdlalose considers a lifeline for the industry, have yet to be published.

"Frankly if we're not allowed to do that it would be a real tragedy," he said. "This is a national crisis."

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